

HODGEMAN COUNTY, KANSAS

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2010**

HODGEMAN COUNTY, KANSAS

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
County of Hodgeman, Kansas
Jetmore, Kansas

We have audited the accompanying financial statements of Hodgeman County, Kansas, as of and for the year ended December 31, 2010, which collectively comprise the financial statements of the County's primary government, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note A, Hodgeman County, Kansas, has prepared these financial statements using accounting practices prescribed by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County as of December 31, 2010, or the changes in its financial position for the year then ended. Further, the County has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of Hodgeman County, Kansas, as of December 31, 2010, its cash receipts and expenditures, and budgetary results for the year then ended on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

September 8, 2011

HODGEMAN COUNTY, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH

Year ended December 31, 2010

<u>Fund</u>	Beginning unencumbered cash balance (deficit)	Cash receipts
Governmental type funds:		
General	\$ 352,101	\$ 2,533,707
Special revenue:		
Road and bridge	231,426	1,224,865
Extension council	2,625	91,751
Noxious weed	964	370,981
Noxious weed capital outlay	77,323	30,000
County hospital	10,254	271,966
Ambulance	85,001	143,193
Special alcohol/drug	1,560	-
Rural fire district	46,653	71,134
Non-budgeted special revenue:		
Special machinery	318,711	100,000
Ambulance equipment	-	33,939
Prosecuting attorney trust	3,789	559
Special motor vehicle	31,294	23,233
Register of deeds technology	11,946	10,438
Municipal equipment reserve	200,340	25,000
Capital improvements	222,347	165,000
Bioterrorism grant	(7,312)	16,453
Micro loan grant	(1,169)	1,446
Micro loan grant revolving	36,572	5,204
Rural fire equipment	790	-
E911 Combined	37,546	11,739
E911 Sheriff grant	2,031	162
Law enforcement trust fund	10,510	-
Highway department mitigation fund	10,840	17,345
Special highway improvements	250,000	50,001
Debt service fund:		
Bond and interest	68,347	429,260
No-fund warrants	9,372	395,226
Hospital bond debt service reserve	95,403	6,378
Capital project fund:		
Hospital bond	88	-
Hospital bond #2	276,487	1,097
Total - excluding agency funds	<u>\$ 2,385,839</u>	<u>\$ 6,030,077</u>

Composition of cash balance:

Super now account
 Checking account
 Bond
 Money market account
 Micro loan account
 Cash and cash items on hand
 Certificates of deposit

Total cash
 Agency funds

Total - excluding agency funds

The accompanying notes are an integral part of the financial statements.

<u>Expenditures</u>	<u>Ending unencumbered cash balance (deficit)</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance (deficit)</u>
\$ 2,458,867	\$ 426,941	\$ 687	\$ 427,628
1,192,221	264,070	52,377	316,447
91,000	3,376	-	3,376
352,251	19,694	-	19,694
-	107,323	-	107,323
279,000	3,220	13,633	16,853
163,396	64,798	-	64,798
200	1,360	-	1,360
77,706	40,081	-	40,081
-	418,711	-	418,711
33,939	-	-	-
2,034	2,314	-	2,314
37,721	16,806	-	16,806
11,566	10,818	-	10,818
12,665	212,675	-	212,675
115,018	272,329	-	272,329
11,561	(2,420)	-	(2,420)
277	-	-	-
1,446	40,330	-	40,330
-	790	-	790
21,996	27,289	-	27,289
-	2,193	-	2,193
1,853	8,657	-	8,657
17,345	10,840	17,345	28,185
-	300,001	-	300,001
480,355	17,252	-	17,252
396,232	8,366	-	8,366
-	101,781	-	101,781
88	-	-	-
317,644	(40,060)	96,791	56,731
<u>\$ 6,076,381</u>	<u>\$ 2,339,535</u>	<u>\$ 180,833</u>	<u>\$ 2,520,368</u>

\$ 781,519
 42,212
 94,991
 2,929,507
 40,330
 402
2,300,000

 6,188,961
(3,668,593)

\$ 2,520,368

HODGEMAN COUNTY, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustments for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General fund	\$ 2,668,489	\$ -	\$ 2,668,489	\$ 2,458,867	\$ 209,622
Special revenue funds:					
Road and bridge	1,285,000	-	1,285,000	1,192,221	92,779
Extension council	91,000	-	91,000	91,000	-
Noxious weed	446,000	-	446,000	352,251	93,749
Noxious weed capital outlay	108,913	-	108,913	-	108,913
County hospital	279,000	-	279,000	279,000	-
Ambulance	200,000	-	200,000	163,396	36,604
Special alcohol and drug	3,329	-	3,329	200	3,129
Rural fire district	80,000	-	80,000	77,706	2,294
Bond and interest	222,356	-	222,356	220,355	2,001
No-fund warrants	436,000	-	436,000	396,232	39,768
 Total primary government	 <u>\$ 5,820,087</u>	 <u>\$ -</u>	 <u>\$ 5,820,087</u>	 <u>\$ 5,231,228</u>	 <u>\$ 588,859</u>

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2010		
	2009	Actual	Budget	Variance over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 1,959,198	\$ 1,938,968	\$ 1,951,511	\$ (12,543)
Delinquent tax	19,537	34,678	10,000	24,678
Motor vehicle tax	131,014	156,632	136,875	19,757
Recreational vehicle tax	1,075	1,129	1,015	114
16/20M truck tax	17,018	20,154	16,523	3,631
Mineral production tax	10,755	7,609	15,000	(7,391)
Health grants	12,745	14,904	13,530	1,374
Licenses, permits and fees	61,894	72,227	50,000	22,227
Fines, forfeitures and penalties	30,719	6,320	15,000	(8,680)
Charges for services	140,876	189,530	151,484	38,046
Interest	15,777	16,283	15,000	1,283
Other	15,602	43,979	-	43,979
Operating transfers	-	31,294	8,000	23,294
Total cash receipts	<u>2,416,210</u>	<u>2,533,707</u>	<u>\$ 2,383,938</u>	<u>\$ 149,769</u>
Expenditures:				
County Commissioners	78,774	73,785	\$ 71,000	\$ (2,785)
County Clerk	56,356	59,485	61,836	2,351
County Treasurer	69,770	77,889	72,275	(5,614)
County Attorney	46,233	45,511	49,300	3,789
Register of Deeds	60,188	51,235	56,600	5,365
District Court	27,866	38,371	39,763	1,392
Law enforcement	374,952	380,385	385,175	4,790
Health department	144,008	179,800	167,157	(12,643)
Solid waste	124,761	152,633	179,000	26,367
Courthouse general	98,841	82,435	183,130	100,695
Park and pool	31,686	35,732	35,000	(732)
Election	7,397	22,543	23,000	457
Appraiser cost	98,195	136,174	139,000	2,826
Judgments and tort liability	96,959	92,057	110,000	17,943
Employee benefits	822,349	791,677	950,000	158,323
Emergency management	6,945	7,853	11,000	3,147
Other	54,059	52,549	56,500	3,951

HODGEMAN COUNTY, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)

	Year ended December 31,			
		2010		
	2009	Actual	Budget	Variance favorable (unfavorable)
Appropriations:				
Fair building	\$ 11,931	\$ 12,828	\$ 12,828	\$ -
Soil Conservation	18,000	18,000	18,000	-
Elderly services	17,325	17,325	17,325	-
Historical Society	3,000	3,000	3,000	-
Community Mental Health	29,214	27,600	27,600	-
Operating transfers	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Total expenditures and transfers	<u>2,378,809</u>	<u>2,458,867</u>	<u>\$ 2,668,489</u>	<u>\$ 209,622</u>
Receipts over (under) expenditures	37,401	74,840		
Unencumbered cash, beginning of year	<u>314,700</u>	<u>352,101</u>	<u>\$ 284,551</u>	<u>\$ 67,550</u>
Unencumbered cash, end of year	<u>\$ 352,101</u>	<u>\$ 426,941</u>		

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

ROAD AND BRIDGE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2010		
	2009	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 997,253	\$ 886,420	\$ 887,444	\$ (1,024)
Delinquent tax	8,806	16,244	7,500	8,744
Motor vehicle tax	59,685	77,279	69,674	7,605
Recreational vehicle tax	486	560	517	43
16/20M truck tax	8,269	8,978	8,411	567
Gasoline tax	188,118	204,034	215,526	(11,492)
Other	15,084	31,350	10,000	21,350
Total cash receipts	<u>1,277,701</u>	<u>1,224,865</u>	<u>\$ 1,199,072</u>	<u>\$ 25,793</u>
Expenditures:				
Highways and streets	756,854	1,042,221	\$ 1,185,000	\$ 142,779
Operating transfers	<u>300,000</u>	<u>150,000</u>	<u>100,000</u>	<u>(50,000)</u>
Total expenditures	<u>1,056,854</u>	<u>1,192,221</u>	<u>\$ 1,285,000</u>	<u>\$ 92,779</u>
Receipts over (under) expenditures	220,847	32,644		
Unencumbered cash, beginning of year	<u>10,579</u>	<u>231,426</u>	<u>\$ 85,928</u>	<u>\$ 145,498</u>
Unencumbered cash, end of year	<u>\$ 231,426</u>	<u>\$ 264,070</u>		

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

EXTENSION COUNCIL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2010		
	2009	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 83,673	\$ 82,163	\$ 82,373	\$ (210)
Delinquent tax	945	1,513	100	1,413
Motor vehicle tax	6,387	7,001	5,844	1,157
Recreational vehicle tax	53	50	43	7
16/20M truck tax	725	1,024	706	318
Total cash receipts	91,783	91,751	<u>\$ 89,066</u>	<u>\$ 2,685</u>
Expenditures:				
Appropriation	91,000	91,000	<u>\$ 91,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	783	751		
Unencumbered cash, beginning of year	1,842	2,625	<u>\$ 1,934</u>	<u>\$ 691</u>
Unencumbered cash, end of year	<u>\$ 2,625</u>	<u>\$ 3,376</u>		

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

NOXIOUS WEED FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
	2010			Variance
	2009	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 108,854	\$ 160,884	\$ 161,919	\$ (1,035)
Delinquent tax	982	2,190	500	1,690
Motor vehicle tax	6,338	8,242	7,607	635
Recreational vehicle tax	50	60	56	4
16/20M truck tax	1,067	879	918	(39)
Chemical sales	158,734	198,726	225,000	(26,274)
Operating transfers	30,000	-	-	-
Total cash receipts	306,025	370,981	\$ 396,000	\$ (25,019)
Expenditures:				
Highways and streets	315,613	322,251	\$ 446,000	\$ 123,749
Operating transfers	-	30,000	-	(30,000)
Total expenditures	315,613	352,251	\$ 446,000	\$ 93,749
Receipts over (under) expenditures	(9,588)	18,730		
Unencumbered cash, beginning of year	10,552	964	\$ 50,000	\$ (49,036)
Unencumbered cash, end of year	\$ 964	\$ 19,694		

The accompanying notes are an integral part of the financial statements.

HODGEMAN COUNTY, KANSAS

NOXIOUS WEED CAPITAL OUTLAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
	2010			Variance
	2009	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Operating transfers	\$ -	\$ 30,000	\$ -	\$ 30,000
Expenditures:				
Highways and streets	1,590	-	\$ 108,913	\$ 108,913
Operating transfers	30,000	-	-	-
Total expenditures	31,590	-	\$ 108,913	\$ 108,913
Receipts over (under) expenditures	(31,590)	30,000		
Unencumbered cash, beginning of year	108,913	77,323	\$ 108,913	\$ (31,590)
Unencumbered cash, end of year	\$ 77,323	\$ 107,323		

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

COUNTY HOSPITAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
	2010			Variance
	2009	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 259,768	\$ 242,886	\$ 244,451	\$ (1,565)
Delinquent tax	2,779	5,154	2,000	3,154
Motor vehicle tax	18,319	20,988	18,147	2,841
Recreational vehicle tax	150	151	135	16
16/20M truck tax	2,458	2,787	2,191	596
Proceeds of no-fund warrants	600,000	-	-	-
Total cash receipts	883,474	271,966	<u>\$ 266,924</u>	<u>\$ 5,042</u>
Expenditures:				
Appropriation	879,000	279,000	<u>\$ 279,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	4,474	(7,034)		
Unencumbered cash, beginning of year	5,780	10,254	<u>\$ 12,076</u>	<u>\$ (1,822)</u>
Unencumbered cash, end of year	<u>\$ 10,254</u>	<u>\$ 3,220</u>		

The accompanying notes are an integral part of the financial statements.

HODGEMAN COUNTY, KANSAS

AMBULANCE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2010		
	2009	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 43,817	\$ 50,765	\$ 51,094	\$ (329)
Delinquent tax	625	1,063	300	763
Motor vehicle tax	4,314	3,831	3,061	770
Recreational vehicle tax	35	27	23	4
16/20M truck tax	666	622	369	253
Charges for services	82,628	86,885	75,000	11,885
Other	5,348	-	-	-
Total cash receipts	<u>137,433</u>	<u>143,193</u>	<u>\$ 129,847</u>	<u>\$ 13,346</u>
Expenditures:				
Health and welfare	123,169	129,457	\$ 140,000	\$ 10,543
Operating transfer	-	33,939	60,000	26,061
Total expenditures	<u>123,169</u>	<u>163,396</u>	<u>\$ 200,000</u>	<u>\$ 36,604</u>
Receipts over (under) expenditures	14,264	(20,203)		
Unencumbered cash, beginning of year	<u>70,737</u>	<u>85,001</u>	<u>\$ 70,153</u>	<u>\$ 14,848</u>
Unencumbered cash, end of year	<u>\$ 85,001</u>	<u>\$ 64,798</u>		

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

SPECIAL ALCOHOL AND DRUG FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
	2010			
	2009	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ -	\$ -	<u>\$ 1,000</u>	<u>\$ (1,000)</u>
Expenditures:				
Health and welfare	<u>270</u>	<u>200</u>	<u>\$ 3,329</u>	<u>\$ 3,129</u>
Receipts over (under) expenditures	(270)	(200)		
Unencumbered cash, beginning of year	<u>1,830</u>	<u>1,560</u>	<u>\$ 2,329</u>	<u>\$ (769)</u>
Unencumbered cash, end of year	<u>\$ 1,560</u>	<u>\$ 1,360</u>		

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

RURAL FIRE DISTRICT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2010		Variance
	2009	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 63,383	\$ 64,775	\$ 63,992	\$ 783
Delinquent tax	601	803	400	403
Motor vehicle tax	2,693	3,269	2,788	481
Recreational vehicle tax	24	27	19	8
16/20M truck tax	391	700	659	41
Other	1,104	1,560	900	660
Total cash receipts	68,196	71,134	\$ 68,758	\$ 2,376
Expenditures:				
Public safety	31,588	77,706	\$ 55,000	\$ (22,706)
Operating transfers	-	-	25,000	25,000
Total expenditures	31,588	77,706	\$ 80,000	\$ 2,294
Receipts over (under) expenditures	36,608	(6,572)		
Unencumbered cash, beginning of year	10,045	46,653	\$ 11,242	\$ 35,411
Unencumbered cash, end of year	\$ 46,653	\$ 40,081		

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2009	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 170,199	\$ 223,101	\$ 217,998	\$ 5,103
Delinquent tax	1,054	868	500	368
Motor vehicle tax	7,252	13,104	11,893	1,211
Recreational vehicle tax	66	94	88	6
16/20M truck tax	-	1,487	1,436	51
Sales tax	199,720	190,606	190,000	606
Total cash receipts	378,291	429,260	\$ 421,915	\$ 7,345
Expenditures:				
Principal	200,000	260,000	\$ 260,000	\$ -
Interest	245,704	220,355	222,356	2,001
Total expenditures	445,704	480,355	\$ 482,356	\$ 2,001
Receipts over (under) expenditures	(67,413)	(51,095)		
Unencumbered cash, beginning of year	135,760	68,347	\$ 60,441	\$ 7,906
Unencumbered cash, end of year	\$ 68,347	\$ 17,252		

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

NO-FUND WARRANTS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
	2010			Variance
	2009	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 155,459	\$ 265,340	\$ 267,032	\$ (1,692)
Delinquent tax	-	442	100	342
Motor vehicle tax	-	9,444	10,863	(1,419)
Recreational vehicle tax	-	-	81	(81)
16/20M truck tax	-	-	1,311	(1,311)
Other		120,000	150,000	(30,000)
Total cash receipts	155,459	395,226	\$ 429,387	\$ (34,161)
Expenditures:				
Principal	120,000	360,000	\$ 390,000	\$ 30,000
Interest	26,087	36,232	46,000	9,768
Total expenditures	146,087	396,232	\$ 436,000	\$ 39,768
Receipts over (under) expenditures	9,372	(1,006)		
Unencumbered cash, beginning of year	-	9,372	\$ 8,613	\$ 759
Unencumbered cash, end of year	\$ 9,372	\$ 8,366	\$ 2,000	\$ 6,366

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS

COMBINING STATEMENT OF CASH RECEIPTS AND EXPENDITURES ALL NON-BUDGETED FUNDS

Year ended December 31, 2010

	Special revenue			
	Special Machinery	Ambulance Equipment	Prosecuting Attorney Trust	Special Motor Vehicle
Cash receipts:				
Federal aid	\$ -	\$ -	\$ -	\$ -
State aid	-	-	-	-
Court fees	-	-	559	-
Motor vehicle fees	-	-	-	23,233
ROD tech fees	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Operating transfers	100,000	33,939	-	-
Total cash receipts	100,000	33,939	559	23,233
Expenditures:				
General government	-	-	2,034	6,427
Public safety	-	-	-	-
Health and welfare	-	33,939	-	-
Operating transfers	-	-	-	31,294
Other	-	-	-	-
Total expenditures	-	33,939	2,034	37,721
Receipts over (under) expenditures	100,000	-	(1,475)	(14,488)
Unencumbered cash (deficit), beginning of year	318,711	-	3,789	31,294
Unencumbered cash (deficit), end of year	<u>\$ 418,711</u>	<u>\$ -</u>	<u>\$ 2,314</u>	<u>\$ 16,806</u>

The accompanying notes are an integral
part of the financial statements.

Special revenue					
Register of Deeds Technology	Municipal Equipment Reserve	Capital Improve- ments	Bioterrorism Grant	Micro Loan Grant	Micro Loan Grant Revolving
\$ -	\$ -	\$ -	\$ 16,453	\$ -	\$ -
-	-	90,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,438	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,204
-	25,000	75,000	-	1,446	-
<u>10,438</u>	<u>25,000</u>	<u>165,000</u>	<u>16,453</u>	<u>1,446</u>	<u>5,204</u>
11,566	12,665	115,018	-	277	-
-	-	-	-	-	-
-	-	-	11,561	-	-
-	-	-	-	-	1,446
-	-	-	-	-	-
<u>11,566</u>	<u>12,665</u>	<u>115,018</u>	<u>11,561</u>	<u>277</u>	<u>1,446</u>
(1,128)	12,335	49,982	4,892	1,169	3,758
<u>11,946</u>	<u>200,340</u>	<u>222,347</u>	<u>(7,312)</u>	<u>(1,169)</u>	<u>36,572</u>
<u>\$ 10,818</u>	<u>\$ 212,675</u>	<u>\$ 272,329</u>	<u>\$ (2,420)</u>	<u>\$ -</u>	<u>\$ 40,330</u>

HODGEMAN COUNTY, KANSAS

COMBINING STATEMENT OF CASH RECEIPTS AND EXPENDITURES ALL NON-BUDGETED FUNDS (CONTINUED)

Year ended December 31, 2010

	Special revenue			
	Rural Fire Equipment	E911 Combined	E911 Sheriff Grant	Law Enforcement Trust
Cash receipts:				
Federal aid	\$ -	\$ -	\$ -	\$ -
State aid	-	3,861	15	-
Court fees	-	-	-	-
Motor vehicle fees	-	-	-	-
ROD tech fees	-	-	-	-
Interest	-	-	147	-
Other	-	7,878	-	-
Operating transfers	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash receipts	-	11,739	162	-
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
General government	-	21,996	-	-
Public safety	-	-	-	1,853
Health and welfare	-	-	-	-
Operating transfers	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	21,996	-	1,853
	<hr/>	<hr/>	<hr/>	<hr/>
Receipts over (under) expenditures	-	(10,257)	162	(1,853)
Unencumbered cash, beginning of year	790	37,546	2,031	10,510
	<hr/>	<hr/>	<hr/>	<hr/>
Unencumbered cash, end of year	<u>\$ 790</u>	<u>\$ 27,289</u>	<u>\$ 2,193</u>	<u>\$ 8,657</u>

The accompanying notes are an integral
part of the financial statements.

Special revenue		Debt service	Capital project		
Highway Dept. Mitigation	Special Highway Improvements	Hospital Bond Debt Service Reserve	Hospital Bond	Hospital Bond #2	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,453
17,345	-	-	-	-	111,221
-	-	-	-	-	559
-	-	-	-	-	23,233
-	-	-	-	-	10,438
-	-	6,378	-	1,097	7,622
-	1	-	-	-	13,083
-	50,000	-	-	-	285,385
<u>17,345</u>	<u>50,001</u>	<u>6,378</u>	<u>-</u>	<u>1,097</u>	<u>467,994</u>
-	-	-	-	-	169,983
17,345	-	-	-	-	19,198
-	-	-	-	317,644	363,144
-	-	-	-	-	32,740
-	-	-	88	-	88
<u>17,345</u>	<u>-</u>	<u>-</u>	<u>88</u>	<u>317,644</u>	<u>585,153</u>
-	50,001	6,378	(88)	(316,547)	(117,159)
<u>10,840</u>	<u>250,000</u>	<u>95,403</u>	<u>88</u>	<u>276,487</u>	<u>1,500,213</u>
<u>\$ 10,840</u>	<u>\$ 300,001</u>	<u>\$ 101,781</u>	<u>\$ -</u>	<u>\$ (40,060)</u>	<u>\$ 1,383,054</u>

HODGEMAN COUNTY, KANSAS

AGENCY FUNDS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended December 31, 2010

<u>Fund</u>	<u>Beginning cash balance</u>	<u>Cash receipts</u>	<u>Cash disbursements</u>	<u>Ending cash balance</u>
County Clerk	\$ 62	\$ 3,878	\$ 3,738	\$ 202
Register of Deeds	-	43,982	43,982	-
District Court	9,233	483,282	464,457	28,058
Sheriff	1,511	67,023	67,830	704
Tax collection accounts	4,094,794	6,468,826	6,949,113	3,614,507
Local taxing districts	-	2,593,674	2,593,674	-
Cafeteria plan	3	2,700	2,690	13
Fish and game licenses and hatchery fees	99	2,343	2,422	20
Heritage trust	92	528	620	-
Motor vehicle fees and sales tax collections	6,055	278,891	273,306	11,640
Law library	9,013	4,631	195	13,449
Total	<u>\$ 4,120,862</u>	<u>\$ 9,949,758</u>	<u>\$ 10,402,027</u>	<u>\$ 3,668,593</u>

The accompanying notes are an integral
part of the financial statements.

HODGEMAN COUNTY, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist in understanding the County's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are the representation of the County's management, which is responsible for their integrity and objectivity. The amounts shown for 2009 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2010, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting as described below.

1. Financial reporting entity

Hodgeman County, Kansas is a municipal corporation governed by an elected five-member commission. The scope of the entity for financial reporting purposes is defined as those funds for which the governing body of the County has financial accountability. Financial accountability includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds. These financial statements include all funds included in the County's legally adopted budget and trust funds controlled or administered by County employees in their capacity as County employees. These financial statements present Hodgeman County, Kansas, (the primary government) and do not include the following component units:

Hodgeman County Hospital: The members of the governing board of the Hospital are appointed by the County Commissioners. Although the County Commissioners do not have the authority to modify or approve the Hospital's operating budget, the Hospital is fiscally dependent on the County because the County provides substantial support.

Hodgeman County Extension Council: The Extension Council has an elected board for its governing body. The County can impose its will on the Extension Council because it has the ability to modify or approve the operating budget of the Council. Because the Council receives substantial financial support from the County, it is fiscally dependent on the County, although it receives some other support.

Financial information of the individual component units may be obtained directly from their administrative offices as follows:

Hodgeman County Hospital
809 W. Bramley St.
Jetmore, Kansas 67854

Hodgeman County Extension Council
Hodgeman County Courthouse
Jetmore, Kansas 67854

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting

The accounts of the County are organized on the basis of funds. In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. County resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds comprise the financial activities of the County for the year 2010:

GOVERNMENTAL FUNDS

General Fund

This fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds

These funds are established to account for the proceeds of specific revenue sources other than trust funds or major capital projects that are legally restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds

These funds are established to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt of the County.

Capital Projects Funds

These funds are established to account for major capital expenditures not financed by enterprise funds.

FIDUCIARY FUNDS

Agency Funds

These funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The County has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. A statement of net assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance is not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

4. Budgetary control and encumbrances

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in the local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary information (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. Budgets were amended for the following funds:

<u>Fund</u>	<u>Original budget</u>	<u>Amended budget</u>
Hospital No-Fund Warrants	\$ 286,000	\$ 436,000

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds and the following special revenue funds:

Special machinery	Micro loan grant
Ambulance equipment	Micro loan grant revolving
Prosecuting attorney trust	Rural fire equipment
Special motor vehicle	E911
Register of deeds technology	E911 Sheriff grant
Municipal equipment reserve	Law enforcement trust
Capital improvements	Highway dept. mitigation
Emergency management	Special highway improvements
Bioterrorism grant	

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. Cash and investments

To facilitate better management of the County's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash account. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are distributed to the general fund and other appropriate funds. Investments consist of time deposits and certificates of deposit and they are reported at cost.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Pension plan

Substantially all full-time employees of the County are members of the State of Kansas Public Employees' Retirement System (KPERs) which is a cost-sharing multi-employer state-wide pension plan. The County's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

7. Compensated absences

The County's policies regarding vacation permits non-elected employees with one year of employment to earn ten days of vacation. Employees with greater than ten years of employment earn 15 days of vacation per year. All employees are allowed to carry over vacation one year past their anniversary date for a maximum accumulation of 20 days for employees with ten years of service or less and 30 days for employees with more than ten years of service. Upon termination or resignation from service with the County, employees are entitled to payment for all accrued vacation earned prior to termination or resignation, provided two weeks notice is given.

All non-elected employees on permanent status earn sick leave at the rate of one day per month of service with a maximum accumulation of 90 days. Part-time employees do not earn sick leave. No allowance for unused sick leave is paid upon termination, resignation or retirement. The liability for accrued vacation has been reflected in Note D, representing the County's commitment to fund such costs from future operations.

8. Section 125 plan

The County offers a section 125 flexible benefit plan to employees electing to participate. It is used for cancer and vision insurance premiums. The plan is administered by an independent company.

9. Deferred compensation plan

The County offers employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457.

10. Other post employment benefits

As provided by K.S.A. 12-5040, the County allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the County is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the County makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the County under this program.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The County purchases commercial insurance to cover health, property, liability, and worker's compensation claims. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

12. Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and the disclosures at the date of the financial statements. Actual results could differ from those estimates.

B. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the County.

K.S.A. 10-130 requires that municipalities remit payments for any bonds or interest to the state fiscal agent at least twenty days before the day of maturity. The payments on the general obligation bonds were not made in accordance with this statute.

The cash basis law provided by K.S.A. 10-1113 prohibits the creation of indebtedness in any fund in excess of available monies in that fund. The Hospital Bond #2 Fund has a cash basis violation of \$40,060. Although, as indicated in the financial statements, the Bioterrorism Grant has a cash deficit of \$2,420 according to K.S.A. 12-1664, the County is not prohibited from financing the federal or state share of a local program from current funds if available.

C. DEPOSITS AND INVESTMENTS

Policies. The County has no formal deposit and investment policies; however it does follow state statutes. K.S.A. 9-1401 establishes the depositories which may be used by the County. The statute requires banks eligible to hold the County's funds to have a main or branch bank in the County, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the County's deposits in financial institutions to be entirely covered by federal depository insurance, by a corporate surety bond, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

K.S.A. 12-1675 limits the County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. State statutes place no limit on the amount the County may invest in any one issuer.

C. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. At year-end the carrying amount of the County's deposits, including certificates of deposit, was \$6,188,558. The bank balance was \$6,490,243. Of the bank balance, \$553,659 was covered by FDIC insurance, and \$5,936,583, was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the County's name.

D. LONG-TERM DEBT

Changes in long-term liabilities for the County for the year ended December 31, 2010, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions/ net change</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Hospital bonds - Series 2006:					
Issued December 11, 2006					
In the amount of \$4,100,000					
At interest rates of 3.7% to 5.0%					
Maturing September 1, 2027	\$ 4,000,000	\$ -	\$ 130,000	\$ 3,870,000	\$ 166,458
Hospital bonds – Series 2008:					
Issued June 1, 2008					
In the amount of \$1,700,000					
At interest rates of 2.7% to 5.5%					
Maturing September 1, 2018	<u>1,600,000</u>	<u>-</u>	<u>130,000</u>	<u>1,470,000</u>	<u>53,898</u>
Subtotal	<u>5,600,000</u>	<u>-</u>	<u>260,000</u>	<u>5,340,000</u>	<u>220,356</u>
No-fund warrants:					
Hodgeman County Health Center					
Hanston State Bank					
Issued July 24, 2008					
In the amount of \$300,000					
At interest rates of 3.75% to 4.75%					
Maturing August 20, 2013	240,000	-	180,000	60,000	10,178
Farmers State Bank					
Issued July 23, 2008					
In the amount of \$300,000					
At interest rate of 4.212%					
Maturing August 20, 2013	240,000	-	60,000	180,000	9,454
Hanston State Bank					
Issued October 20, 2009					
In the amount of \$600,000					
At interest rates of 3% to 4%					
Maturing August 20, 2014	<u>600,000</u>	<u>-</u>	<u>120,000</u>	<u>480,000</u>	<u>16,600</u>
Subtotal	<u>1,080,000</u>	<u>-</u>	<u>360,000</u>	<u>720,000</u>	<u>36,232</u>
Capital leases:					
2006 John Deere Wheel Loader					
Issued May 20, 2006					
In the amount of \$148,900					
At interest rate of 5.25%					
Maturing May 20, 2012	66,940	-	43,448	23,492	6,063
Caterpillar Generator					
Issued April 30, 2007					
In the amount of \$42,447					
At interest rate of 5.725%					
Maturing April 15, 2012	26,815	-	8,445	18,370	1,535

D. LONG-TERM DEBT (CONTINUED)

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions/ net change</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Interest paid</u>
Capital leases (continued):					
Caterpillar Scraper					
Issued December 5, 2007					
In the amount of \$130,317					
At interest rate of 4.0%					
Maturing January 25, 2013	\$ 56,004	\$ -	\$ 5,371	\$ 50,633	\$ 4,579
Ambulance					
Issued August 14, 2008					
In the amount of \$111,685					
At interest rate of 5.205%					
Maturing December 31, 2010	32,260	-	32,260	-	1,679
Two Caterpillar 12 M Motor Graders					
Issued August 26, 2009					
In the amount of \$112,500					
At interest rates of 4%					
Maturing August 26, 2014	<u>112,500</u>	<u>-</u>	<u>20,771</u>	<u>91,729</u>	<u>4,500</u>
Subtotal	<u>294,519</u>	<u>-</u>	<u>110,295</u>	<u>184,224</u>	<u>18,356</u>
Total contractual indebtedness	6,974,519	-	730,295	6,244,224	274,944
Compensated absences:					
Vacation	113,149	2,923	-	116,072	-
Landfill closure and post-closure care	<u>389,121</u>	<u>12,706</u>	<u>-</u>	<u>401,827</u>	<u>-</u>
Total long-term debt	<u>\$ 7,476,789</u>	<u>\$ 15,629</u>	<u>\$ 730,295</u>	<u>\$ 6,762,123</u>	<u>\$ 274,944</u>

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2011	\$ 290,000	\$ 207,355	\$ 497,355
2012	310,000	196,305	506,305
2013	330,000	184,245	514,245
2014	340,000	171,145	511,145
2015	360,000	159,445	519,445
2016-2020	1,675,000	594,505	2,269,505
2021-2025	1,375,000	317,125	1,692,125
2026-2027	<u>660,000</u>	<u>42,500</u>	<u>702,500</u>
Total	<u>\$ 5,340,000</u>	<u>\$ 1,872,625</u>	<u>\$ 7,212,625</u>

Current maturities of no-fund warrants and interest for the next four years are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2011	\$ 240,000	\$ 25,292	\$ 265,292
2012	180,000	16,888	196,888
2013	180,000	10,076	190,076
2014	<u>120,000</u>	<u>3,600</u>	<u>123,600</u>
Total	<u>\$ 720,000</u>	<u>\$ 55,856</u>	<u>\$ 775,856</u>

D. LONG-TERM DEBT (CONTINUED)

Current maturities of capital leases and interest for the next four years are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2011	\$ 81,817	\$ 8,165	\$ 89,982
2012	54,744	4,259	59,003
2013	23,364	1,907	25,271
2014	<u>24,299</u>	<u>972</u>	<u>25,271</u>
Total	<u>\$ 184,224</u>	<u>\$ 15,303</u>	<u>\$ 199,527</u>

E. DEFINED BENEFIT PENSION PLAN

Plan description. Hodgeman County contributes to the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% for Tier 1 employees (generally active members prior to July 1, 2009) and 6% for Tier 2 (generally active members on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The KPERs employer rate established for 2010 was 7.14%. From April through June there was a moratorium on the 1.00% group health and disability insurance, so the rate for those months was 6.14%. The County employer contributions to KPERs for the years ending December 31, 2010, 2009, and 2008 were \$85,450, \$66,404, and \$58,117, respectively, equal to the required contributions for each year.

F. INTERFUND TRANSFERS

A summary of interfund transfers by type is as follows:

<u>From</u>	<u>To</u>	<u>Statutory authority</u>	<u>Amount</u>
Operating transfers:			
Ambulance	Ambulance equipment	K.S.A. 68-590	\$ 33,939
Special motor vehicle	General	K.S.A. 8-145	31,295
Noxious weed	Noxious weed		
	Capital outlay	K.S.A. 2-1318	30,000
General	Municipal equipment reserve	K.S.A. 19-119	25,000
General	Capital improvement	K.S.A. 19-120	75,000
Road and bridge	Special highway improvements	K.S.A. 68-590	50,000
Road and bridge	Special machinery	K.S.A. 68-141g	100,000
Micro loan revolving	Micro loan grant	Grant agreement	<u>1,446</u>
			<u>\$ 346,680</u>

G. CLOSURE AND POSTCLOSURE COSTS OF LANDFILL

State and federal laws and regulations require the County to place a final cover on landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as change in long-term debt in each period based on landfill capacity used as of each financial statement date. The amount of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year.

The landfill closure and postclosure care liability for the open cell is \$401,827 at December 31, 2010. This represents the cumulative amount reported to date based on the use of 60 percent of the estimated capacity of the area currently open. The County will recognize the remaining estimated liability for closure and postclosure care of \$263,450 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. Actual cost may differ due to inflation, changes in technology, or changes in regulations. The County will cover these costs through future charges to landfill users and future ad valorem tax revenues. The County expects the current cell to operate for approximately twelve years.

The County is meeting the financial assurance requirements through the Local Government Financial Test. This test involves four components; financial, public notice, record keeping and reporting, and calculation of costs to be assured. The County has satisfied all of the requirements.

H. CONTINGENCIES

The County receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of County management, such disallowances, if any, will not be significant.

I. CDBG LOANS

In 2003, the County issued a \$17,000 revolving loan to a local business from funds paid in retirement of original Community Development Block Grant revolving loans. The loan at 5.25% is to be repaid over a period of five years. Loan payments are \$316 per month, including principal and interest. At December 31, 2010 the loan had been written off in the amount of \$3,812.

In 2003, the County issued a \$15,000 revolving loan to a local business from funds paid in retirement of original Community Development Block Grant revolving loans. The loan at 4.25% is to be repaid over a period of ten years. Loan payments are \$162 per month, including principal and interest. At December 31, 2010 the loan balance was \$4,979.

In 2005, the County issued a \$15,000 revolving loan to a local business from funds paid in retirement of original Community Development Block Grant revolving loans. The loan at 5.25% is to be repaid over a period of seven years. Loan payments are \$222 per month, including principal and interest. At December 31, 2010 the loan balance was \$14,151 and it was noted that the last payment was in July of 2007.

In 2006, the County issued a \$12,000 revolving loan to a local business from funds paid in retirement of original Community Development Block Grant revolving loans. The loan at 4.25% is to be repaid over a period of five years. Loan payments are \$229 per month, including principal and interest. At December 31, 2010 the loan balance was \$5,556 and it was noted that the last payment was in March 2010.

I. CDBG LOANS (CONTINUED)

In 2008, the County issued a \$15,000 revolving loan to a local business from funds paid in retirement of original Community Development Block Grant revolving loans. The loan at 4.00% is to be repaid over a period of ten years. Loan payments are \$173 per month, including principal and interest. At December 31, 2010 the loan balance was \$11,287.

J. CONDUIT DEBT OBLIGATIONS

The County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2010, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$650,000.

K. MEDICAL SELF INSURANCE

Hodgeman County maintains a self-insurance program that is handled by an outside administrator who determines claims to be paid by the company. A stop loss insurance policy is purchased by the company to cover claims above \$20,000 per employee. Changes in claims liability for the past two years have been as follows:

<u>Year ended December 31,</u>	<u>Beginning of year liability</u>	<u>Claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of year liability</u>
2009	\$ 67,566	\$ 352,842	\$ 412,577	\$ 7,831
2010	7,831	323,435	330,704	562

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 8, 2011, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.